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PLLC

Certified Public Accountants and Consultants

MEMBERS OF THE BREDESEN GUBERNATORIAL CAMPAIGN  
FOR THE TENNESSEE REGISTRY OF ELECTION FINANCE

INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD  
APRIL 1, 2006 TO JANUARY 15, 2007

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REGISTRY OF  
ELECTION FINANCE





## **Independent Accountants' Report On Applying Agreed-Upon Procedures**

Members of the Bredeesen Gubernatorial Campaign  
for the Tennessee Registry of Election Finance  
Nashville, Tennessee

Ladies and Gentlemen:

We understand that the "Comprehensive Governmental Ethics Reform Act of 2006" established the requirement for campaign disclosure reports of certain gubernatorial candidates. This legislation as outlined in *Tennessee Code Annotated* (T.C.A.) Section 2-10-212(d) requires the State of Tennessee Registry of Election Finance (the "Registry") to adopt auditing guidelines and standards. The Registry has determined that campaign finance audits will be performed as agreed-upon procedures engagements. The objectives of these engagements, as recommended by the Registry, are to verify:

- The candidate's compliance with campaign finance disclosure laws and regulations.
- Compliance with campaign contribution limits laws and regulations.
- The accuracy, completeness and timeliness of campaign finance disclosure statements for itemized statements of contributions, in-kind contributions, expenditures, obligations, and loans.

We performed certain agreed-upon procedures to test compliance with the following financial disclosure information:

Contributions and receipts:

- Campaign contributions from individuals and Political Action Committees ("PACs") were within limits.
- Contributions were from non-prohibited sources.
- Receipts received were reported to the Registry, reported in the proper period, and in compliance with T.C.A. Sections 2-10-105 and 2-10-107 and the Registry's rules.
- Contributions were supported by bank statements and deposit slips.
- Loans received were reported to the Registry, reported in the proper period, and in compliance with T.C.A. Sections 2-10-105 and 2-10-107 and the Registry's rules.
- Loans received from lending institutions were supported by loan agreements.

Disbursements and Obligations:

- Disbursements and obligations were reported to the Registry, reported in the proper period, and in compliance with T.C.A. Sections 2-10-107 and 2-10-114 and the Registry's rules.
- Disbursements and obligations were supported by canceled checks and bank statements.

We have performed the agreed-upon procedures enumerated below to assist the Bredeesen Gubernatorial Campaign's (the "Campaign") in determining compliance with campaign finance disclosure laws and regulations and compliance with campaign contribution limits laws and regulations during the period April 1, 2006 through January 15, 2007. These procedures are set forth by the State of Tennessee Registry of Election Finance and were agreed to by the Campaign.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Registry. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We discussed with Mr. Beau Barker, Comptroller of the Campaign, the policies and procedures for receiving and recording contributions, documenting expenditures, recording obligations and preparing disclosure reports.
2. We obtained the Campaign's bank statements that covered the period from April 1, 2006 through January 15, 2007. For this period, we tested the reconciliation of the total bank deposits and disbursements per the bank statements to the total contributions, interest income and disbursements recorded in the financial accounting system used by the Campaign ("PT Financial").
3. For the period April 1, 2006 through January 15, 2007, we agreed the total contributions, disbursements, and interest income amounts per the PT Financial to the specific election reports submitted by Campaign.
4. From the applicable election reports, which are generated directly by the PT Financial system, for the period April 1, 2006 through January 15, 2007, we randomly selected a sample of (a) 23 contributions that were equal to or less than \$2,500 and (b) 16 contributions greater than \$2,500 and performed the following procedures:
  - a. We verified that Political Action Committee ("PAC") contributions included in the sample did not exceed \$7,500 per election in monetary or in-kind contributions, including loans.
  - b. Excluding PAC contributions, we verified that there were no contributions in the sample in excess of \$2,500 per election in monetary or in-kind contributions, including loans.
  - c. We verified that the PAC contributions were received during a permissible time period and not during a black-out period as established by the Registry.

- d. From the Registry website, we obtained the 2006 Lobbyist Registration and Volunteer Registration listings and verified that the name of each contributor in the sample, per the check copy, was not included on either of these listings.
  - e. We agreed all contributions in our sample to the applicable election report and determined that they were disclosed and reported in the correct period.
  - f. We examined all disclosures relating to our sample contributions to test compliance with T.C.A. Sections 2-10-105 and 2-10-107. The disclosures included name, address, occupation, and employer.
  - g. We traced all selected contributions to the applicable deposit slips or to the applicable bank statements for credit card direct deposits. We traced applicable deposit slips to the applicable bank statements.
5. We haphazardly selected 6 in-kind contributions and performed the following procedures:
  - a. We reviewed documentation supporting the in-kind contribution to determine that the contribution was reported at the indicated amount.
  - b. We traced the in-kind contribution to the applicable report to determine it was recorded in accordance with the supporting documentation.
6. We randomly selected a sample of 23 disbursements and performed the following procedures:
  - a. We determined, for each of the selected disbursements, that the disclosures were reported in the proper period.
  - b. We examined the disclosures relating to our sample distributions to test compliance with T.C.A. Sections 2-10-107 and 2-10-114. All disclosures included name and address for expenses and allowable/unallowable expenses.
  - c. We traced all selected disbursements to the applicable bank statements or canceled checks.
  - d. We traced all selected disbursements to supporting documents.
7. We prepared, from information in the PT Financial, a summary of contributions from Political Party PACs and noted that the PACs listed did not in the aggregate contribute in excess of \$250,000 per election in monetary and in-kind contributions, including loans.
8. We prepared, from information in the PT Financial, a summary of contributions from all PACs and noted that the total of such contributions (excluding political party PACs) did not comprise more than 50% of the total of all contributions reported by the Campaign.
9. We obtained from Mr. Barker documentation for 3 obligations and noted that they were disclosed and reported in the proper period, and supported by subsequent check payment and clearance on the applicable bank statement.
10. We reviewed 3 of the campaign financial disclosures and noted evidence of timely filings by the respective due dates.

No findings of noncompliance came to our attention as a result of performing the procedures described in this report.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the Campaign's accounting records and reports. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Bredezen Gubernatorial Campaign for the Tennessee Registry of Election Finance and is not intended to be and should not be used by any other party for any purpose.

*Kraft CPAs PLLC*

Nashville, Tennessee  
April 27, 2007

# STATE OF TENNESSEE



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AUDIT MANAGER  
Jay Moeck, CPA, CFE

October 1, 2008

Dear Registry Members:

We reviewed the independent accountants' report on applying agreed-upon procedures for Gov. Phil Bredesen's 2006 campaign for Governor for the period of April 1, 2006 through January 15, 2007. We find the report to be complete and acceptable according to T.C.A. §2-10-212. The report indicated that there were no findings of noncompliance.

Based on the review of independent accountants' report, we recommend the Registry approve the audit performed as being complete and acceptable according to T.C.A. 2-10-212(h). Along with the independent accountants' report, the Registry auditors are providing financial summary data for Gov. Bredesen's 2006 election campaign.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay Moeck".

Jay Moeck, CPA, CFE  
Audit Manager

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## CAMPAIGN OVERVIEW

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### CAMPAIGN ORGANIZATION

Gov. Phil Bredesen was a candidate in the November 7, 2006 general election for Governor. Gov. Bredesen filed an Appointment of Political Treasurer Statement with the Registry on September 5, 2003 appointing Stuart Brunson as political treasurer. On January 18, 2007, he filed a new Appointment of Political Treasurer Statement with the Registry appointing Byron R. Trauger as political treasurer.

The candidate's first financial disclosure for the 2006 campaign was the 2006 early supplemental (2003) report filed on February 2, 2004. As of August 31, 2008, Mr. Bredesen's most current financial disclosure report was the 2006 annual mid-year supplemental (2008), which he filed on July 16, 2008. The 2006 annual mid-year supplemental (2008) report indicated \$1,568,681.21 in cash on hand, \$0.00 in outstanding obligations, and \$0.00 in outstanding loans. The candidate has not completed his 2006 election campaign reporting requirements. The candidate's next report will be due on February 2, 2009 and will cover the period of July 1, 2008 to January 15, 2009.

### OVERVIEW OF FINANCIAL ACTIVITIES

The following financial amounts are a summary of the financial disclosures made by the candidate. The summarized amounts are from the following disclosure reports: 2006 early supplemental (2003), 2006 early supplemental (2004), 2006 supplemental (2005), 2006 first quarter, 2006 second quarter, 2006 pre-primary, 2006 third quarter, 2006 pre-general, and 2006 fourth quarter reports after amendments.

#### Summary of Financial Activity

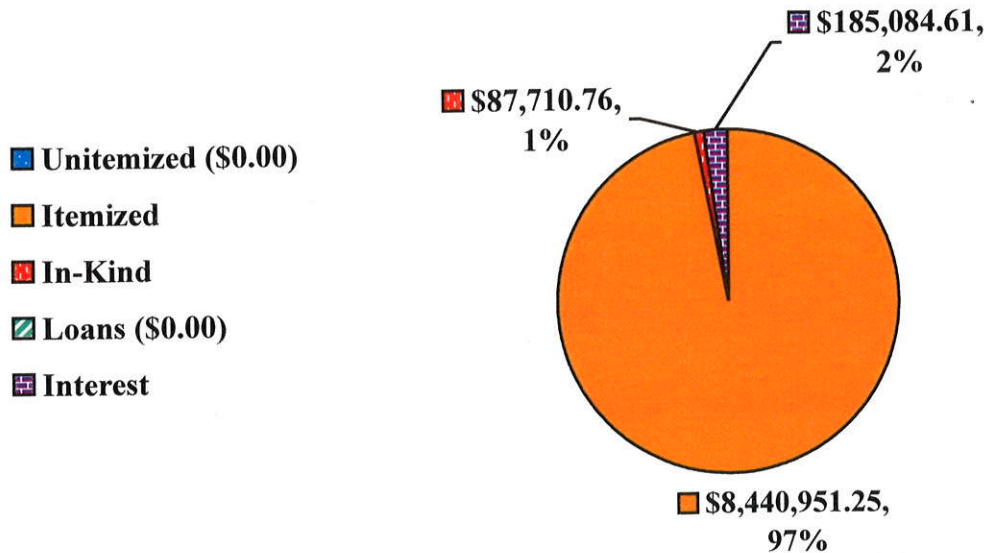
Cash on hand at January 1, 2003		\$0.00
Receipts		
Itemized	\$8,440,951.25	
Un-itemized	0.00	
Interest	185,084.61	
Loans received	0.00	
Total receipts		<u>\$8,626,035.86</u>
Disbursements		
Itemized	6,747,015.36	
Un-itemized	0.00	
Loans principal payments	0.00	
Total disbursements		<u>\$6,747,015.36</u>
Cash on hand at January 15, 2007		<u>\$1,879,020.50</u>
Loans outstanding at January 15, 2007		\$0.00
Obligations at January 15, 2007		\$0.00
Total in-kind contributions received		\$87,710.76



## CHARTS

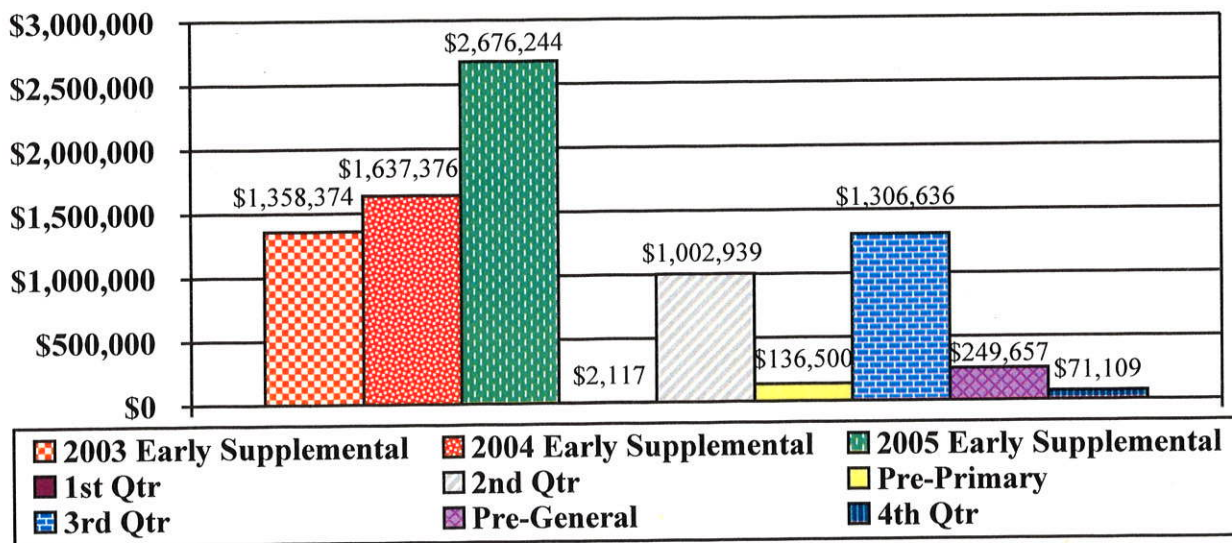
### 2006 ELECTION CAMPAIGN CONTRIBUTIONS

The following chart shows the contributions reported by the candidate for the 2006 election campaign from 2006 early supplemental (2003) to the 2006 fourth quarter report.



### 2006 ELECTION CONTRIBUTIONS BY REPORTING PERIOD

The following chart shows the contributions that the candidate reported for the 2006 election campaign from 2006 early supplemental (2003) to the 2006 fourth quarter report by reporting period.



## 2006 ELECTION EXPENSES BY REPORTING PERIOD

The following chart shows the expenses that the candidate reported for the 2006 election campaign from 2006 early supplemental (2003) to the 2006 fourth quarter report by reporting period.

